

Testimony of Ambassador James Jeffrey, Senior Advisor and Coordinator for Iraq for the
Secretary of State
before the House Committee on International Relations
April 26, 2006

Mr. Chairman, members of the Committee, thank you very much for giving me the opportunity to testify today.

Iraq is, as we all know, at the top of our foreign policy agenda. As the President pointed out at Annapolis last fall in unveiling our National Strategy for Victory in Iraq, it is a crucial test of our will to prevail in the Global War on Terrorism. The stakes are high, and the consequences of failure truly dire.

Together with the Iraqi people, we will succeed. We are pursuing our three track strategy -- security, economic, and political -- steadily forward, and I will describe the progress and obstacles in each of these tracks in a moment. What I want to first underscore is the extraordinary importance of the present moment. Our overall strategy keys on the rapid standup of an inclusive, effective, democratic unity government. A government that is inclusive will undercut those elements, Shia as well as Sunni Arab, who seek power through bullets rather than ballots. An effective government will use the country's extraordinary human, natural, and institutional assets to enable Iraq to become self-reliant. And a permanent, democratic government will achieve the goal of the United Nation (U.N.) Security Council program for Iraqi, live up to our commitment to the Iraq people, and send a powerful -- and much needed -- signal throughout the region and the world that people want to live in freedom and not under the shadow of terrorism.

Over the weekend, the strategy of the President, my boss, Secretary Rice, other cabinet officers and colleagues such as Ambassador Khalilzad, along with the U.N., and allies such as the United Kingdom, supported the Iraqis in taking another critical step in the stand up of a national unity government. The Council of Representatives asked Jawad al-Maliki to form a new government as Prime Minister, selected a Presidency Council, a Speaker and two deputies. The action taken by the Iraqi parliament this weekend to put in place just such an inclusive, broad, strong government is an extremely important development. We urge the Iraqis to rapidly complete the government formation in the same cooperative, pluralistic fashion, and get to work on the problems facing their country.

Let me talk a bit more about the specific elements of our strategy.

Success on the political track has been marked by a series of major electoral events with a relatively clear time line, culminating in over 12.2 million Iraqi voters (78 percent of those eligible) voting on December 15, 2005 to elect a Council of Representatives, the first step in the formation of a government under Iraq's constitution. Despite an upsurge in sectarian violence, these voters deserve an inclusive, representative government sooner rather than later for the bravery and dedication they demonstrated by going to the polls, and we believe now that the Iraqis are well on the way to such an agreement.

We are moving into a period where progress on the political track must be viewed in terms of significant steps forward by the democratically elected government. The new Iraqi constitution will require leaders to find common ground on a number of important issues including, for

example, the role of the judiciary, the distribution of oil proceeds, questions of federalism, and core issues of national reconciliation and unity. These new leaders must implement the constitution in a manner that protects the guarantees provided to every Iraqi through legislation. While the Iraqi leaders and people should be congratulated on the impressive steps undertaken toward democracy, there remains significant work to be done.

Despite concerted efforts by terrorists and insurgents to derail assistance efforts, there was measurable progress along the economic track. The economy has grown from \$18.9 billion in 2002 to \$33.1 billion in 2005. The International Monetary Fund estimates that the real gross domestic product (GDP) grew by 2.6 percent in 2005, and expects real GDP to grow by as much as 10.4 percent in 2006. While the Iraqi economy continues to be overwhelmingly dependent on oil exports, other sectors have begun to pick up activity, including the trade and services sectors. Additionally, a November 2005 labor survey, conducted by the Government Statistics Office, reported an unemployment rate of 18 percent across Iraq (and not counting the Kurdish Regional Government or Al Anbar province). This is an important and positive development from October 2003 when unemployment was estimated at 28.1 percent. While this drop in unemployment might be in part due to a clearer definition of unemployed persons (vice underemployed persons), as well as an improved statistical methodology, there is evidence that increased informal commercial activity and reconstruction activities have contributed to a decrease in the unemployment rate. More work needs to be done to decrease the numbers of unemployed and underemployed Iraqis, but progress is being made.

Reconstruction, while hindered by security problems, has been successful in rehabilitating water and sewage services and immunizing nearly all children against childhood diseases. Efforts in the oil and electricity sectors have been hampered by years of mismanagement, neglect, smuggling, corruption and decay during the Saddam era, and targeted attacks on critical infrastructure. The dramatic increases in income in post-conflict Iraq (income per capita has nearly doubled from 2003 to 2005) has resulted in new vehicle and appliance purchases as well as increasing demand for fuel and electricity, but without a corresponding rationalization in pricing for these goods and services. Our assistance programs are helping to build or refurbish the infrastructure to enable Iraqis to expand the delivery of basic services. These efforts have been enhanced by an increasing Iraqi capacity, progress on subsidy and pricing reforms, and most recently, a decrease in infrastructure attacks.

Almost all of the large infrastructure projects currently funded by the IRRF are expected to be completed by the end of the year. These projects are already having a significant impact on daily life in Iraq. IRRF projects have added, rehabilitated, or maintained more than 2700 megawatts. IRRF projects have increased access to potable drinking water for 3.1 million Iraqis and improved access to sewage systems for 5.1 million Iraqis. Success can be seen beyond the large infrastructure projects as well. Approximately 32 percent of Iraq's more than 14,000 schools have been rehabilitated or refurbished, including the provision of 8.7 million new textbooks. These are all admirable achievements, particularly when one considers the environment in which they were achieved.

Meanwhile, closeout of the IRRF has begun. Of the \$18.4 billion appropriated in IRRF II, \$16.4 billion has already been obligated in addition to the \$2.5 billion from IRRF I. Our FY 06 Supplemental and FY 07 Assistance Programs totaling almost \$2.4 billion were designed to help Iraq in its transition to self-reliance in the civilian realm, and will focus on building Iraqi capacity at the national and provincial levels and stabilization programs (including programs that focus on job creation and lending to small and medium-size private Iraqi businesses).

Efforts on the security track are led by the U.N. Security Council-endorsed Multi-National Force – Iraq (MNF-I). The MNF-I mission is essential to achieving a stable, prosperous and peaceful Iraq. The military strategy for victory includes defeating the terrorists, neutralizing the insurgency, and training, organizing and equipping the Iraqi Security Forces (ISF) to take the lead. U.S., Coalition, and Iraqi forces are working together to clear areas of enemy control and build the capacity of the security forces and local and national institutions to manage these forces, to hold what we have cleared, and to advance the rule of law. Iraqi units fighting along side Coalition forces continue to grow in number and capability. As of March 20, over 240,000 Ministry of Interior and Ministry of Defense forces have been trained and equipped by the U.S. and Coalition forces, and Iraqi units have primary responsibility for 65 percent of Baghdad.

Recently, we have witnessed increased sectarian strife. In response to the rise of sectarian violence, triggered by the terrorist attack against the Golden Mosque in Samarra, the U.S. and Iraqi governments are deploying additional Iraqi troops with U.S. support as required, and redoubling our efforts to stand up a representative unity government equipped to address the divisions fueling sectarian strife.

The international community has an important role in achieving a democratic, prosperous Iraq at peace with its neighbors. The most visible contributions come from our over 30 coalition partners contributing troops in Iraq. However, international assistance and cooperation is essential to progress on the political and economic tracks as well. On the political track, for example, the Independent Electoral Commission of Iraq benefited greatly from the assistance the U.N. and others provided in the conduct of three electoral events. Partners have pledged \$13.5 billion in aid, which is critical to boosting overall Iraqi economic growth. In coordination with Iraqi leaders, we have been encouraging international partners to make new pledges as well as progress on the disbursement of existing pledges, which at less than \$4 billion, including roughly \$2.2 billion in bilateral pledges and \$1.4 billion in IRRFI, is frankly lagging.

We have been working with the international community to reduce Iraq's record amount of external debt - \$125 billion or 600 percent of annual income. As of last month, 16 of the 18 members of the Paris Club have concluded bilateral debt relief agreements with Iraq, agreeing to forgive over time at least 80% of debt held by each member. Including the \$4.1 billion forgiven by the U.S., over \$30 billion in Iraqi debt has been, or will be, forgiven by Paris Club members. Further, we continue to encourage non-Paris Club countries to provide debt relief on terms at least as favorable as the Paris Club's terms.

As Iraq's needs change so too will the type of international support required. The coalition or international partnership is broader than the security mission. As Iraqis assume a greater role in

their own security, the face of the international partnership should reflect that shift with increased economic and political support.

On behalf of all those serving in Iraq or working on this crucial issue, I want to assure you of our commitment to success, and our dedication to make the lives of Iraq's 26 million citizens better, and the entire region more secure and more free.